

COMPETITION IN ILLINOIS RETAIL ELECTRIC MARKETS IN 2004

ILLINOIS COMMERCE COMMISSION

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Executive Summary

Sec. 16-120(b) of the Public Utilities Act (“Act”) directs the Illinois Commerce Commission (“Commission”) to submit an annual report to the Joint Committee on Legislative Support Services of the General Assembly and the Governor that provides information concerning the development of competitive electricity markets in Illinois. This is the fifth report the Commission has submitted to the General Assembly pursuant to this section of the Act.¹ These Sec. 16-120(b) reports will continue to the end of the “mandatory transition period” in 2006.

Sec. 16-120(b) requires the Commission to furnish certain statistical information concerning power and energy sales by electric utilities and by Alternative Retail Electric Suppliers (“ARES”) to customers eligible to select new electric suppliers. The Commission may also provide any other information the Commission believes is relevant in assessing the development of Illinois electric markets.

Retail Market Activities

The retail electric market opened in October 1999 to approximately one-third of non-residential consumption, comprising about 64,000 customers. On January 1, 2001, all non-residential customers of the investor-owned electric utilities became eligible to choose alternative suppliers. The number of eligible non-residential customers totals approximately about 500,000. An additional 4,440,000 residential customers became eligible for customer choice in May 2002.

Supply Options Available to Electric Customers

Customers have several supply options available to them from both the incumbent utilities and alternative suppliers. Customers may purchase bundled power and energy offered by the incumbent utilities at rates that are frozen until 2007. Customers may also choose to purchase power and energy on an “unbundled” basis by switching the generation portion of their electric service to an ARES or to an electric utility serving outside its traditional service area. (Collectively, the ARES and electric utilities serving outside their service areas are called “Retail Electric Suppliers” or “RESs.”) Additionally, the two utilities, AmerenIP and Commonwealth Edison (“ComEd”) that charge transition charges to delivery services customers must also offer an unbundled, market-based generation option called the “Power Purchase Option” (“PPO”) to non-residential customers. Electric utilities deliver unbundled power and energy at rates regulated by the Commission.

¹ Previous reports submitted to the General Assembly pursuant to Sec. 16-120 of the Act can be viewed at <http://www.icc.state.il.us/ec/electricity.aspx>. These reports include the triennial reports filed pursuant to Sec. 16-120(a).

Almost 23,000 non-residential customers were taking delivery services at the end of 2004, an increase of 20.2% compared to 2003. The increase in the overall switching numbers is due to an increased level of switching in the ComEd service area, particularly among customers with a peak demand under one megawatt ("MW"). About one-third of customer load in Illinois with a peak demand of less than one MW and more than one-half of customer load with a peak demand of greater than one MW was taking delivery services at the end of 2004.

As in prior years, customer-switching rates were higher in the ComEd service area than in the AmerenCIPS and AmerenIP service areas, the only other service areas with more than a negligible amount of switching. Excluding Governmental customers, and certain smaller-use customers, 21,262 ComEd customers, or about 5.4% of ComEd's non-residential customers, were receiving delivery services at the end of 2004. Among the 21,262 delivery services customers, 11,643 customers were taking service from a Retail Electric Supplier and an additional 9,528 customers were receiving PPO service from ComEd. The number of PPO customers represents a substantial increase from 2003, when 6,710 customers were taking PPO service. About 3,500 ComEd customers with a peak demand of less than one MW switched to delivery services in 2003.

More than 1,100 AmerenIP customers were taking delivery services by the end of 2004. Overall switching levels were unchanged between 2003 and 2004, although delivery services usage increased about 10% during 2004. While the vast majority of delivery services customers were receiving PPO service from AmerenIP, RESs were serving nearly 50% of the load of AmerenIP's customers with a peak demand of greater than one MW.

Switching levels also remained virtually constant in the AmerenCIPS service area, where about 500 AmerenCIPS customers were purchasing power and energy from RESs. AmerenCIPS suspended its collection of transition charges in 2003 and does not offer PPO service.

A small number of customers were taking service from Retail Electric Suppliers in the service areas of AmerenCILCO and AmerenUE at the end of 2004. No customer in any other service area is taking delivery services. No residential customers are taking delivery services.

Retail Electric Supplier Activities

Ten Retail Electric Suppliers sold power and energy to retail customers in 2004, two fewer than in 2003. Four RESs were newly certified in 2004. RESs made sales in 2004 of about 23.5 million megawatt-hours ("mWh"). This total represents about 18.5% of sales to all customers.

Power Purchase Option Sales

In 2004, about 30% of unbundled power and energy sales were PPO sales, about the same percentage as in 2003. About 10,500 customers were taking PPO service at the end of 2004. The PPO is an especially popular supply option among smaller-use non-residential customers. While taking PPO service enables customers to save money, customer reliance on PPO service may be cause for concern for the long-term development of the retail market, since PPO service may not be offered in its present form after 2007.

Peak Demand and Sales

The sum of the non-coincident peak demands of the nine investor-owned utilities totaled 27,032 megawatts, a considerable decrease in peak demand compared to 2003. The lack of high summer temperatures in 2004 contributed significantly to the decrease.

Wholesale Market Activities

In 2004, ComEd completed its integration into the PJM Interconnection market and AmerenIP joined the Midwest Independent Transmission System Operator. Each of the State's four largest utilities (AmerenCILCO, AmerenCIPS, AmerenIP and ComEd) is now a member of a Regional Transmission Organization ("RTO"). Utility membership in RTOs may support Illinois' retail choice programs by providing access to price-transparent markets for both day-ahead and real-time energy, and some ancillary services.

The wholesale power contracts that the Ameren companies and ComEd have in place with third-party generators will expire by January 1, 2007, when the retail rate freeze period terminates. To provide interested parties an opportunity to comment about the changes that the end of the rate freeze and the expiration of existing wholesale contracts might bring to the Illinois electric industry, the Commission convened workshops with market participants and other interested parties to discuss power procurement and related topics for the period beginning in 2007. The results of these workshops were summarized in a report the Commission provided to Governor Blagojevich and the General Assembly entitled "Final Report of the Illinois Commerce Commission's Post-2006 Initiative." As described in the report, it is expected that after December 31, 2006, the Ameren utilities and ComEd will purchase power and energy through competitive procurement processes. The Commission's report, and other documents associated with the Commission's discussion of issues associated with the procurement of electric supply after 2006, can be found on the Commission's website at <http://www.icc.state.il.us/ec/ecPost.aspx>.

Table of Contents

SECTION	PAGE
EXECUTIVE SUMMARY.....	I
TABLE OF CONTENTS	IV
LIST OF FIGURES AND TABLES	V
I. INTRODUCTION.....	1
II. PEAK DEMAND AND SALES BY ELECTRIC UTILITIES AND ARES	3
A. PEAK DEMAND STATISTICS	3
B. SALES BY ELECTRIC UTILITIES AND ALTERNATIVE RETAIL ELECTRIC SUPPLIERS.....	4
III. RETAIL ACTIVITY IN 2004.....	7
A. RETAIL ELECTRIC SUPPLIER ACTIVITY	7
B. DELIVERY SERVICES STATISTICS	9
C. DELIVERY SERVICES CUSTOMER SUPPLY SELECTIONS	13
D. RESIDENTIAL MARKET ACTIVITY IN 2004.....	17
IV. WHOLESALE MARKET ACTIVITIES.....	18
A. AMERENIP AND COMED JOIN REGIONAL TRANSMISSION ORGANIZATIONS.....	18
B. POST-2006 INITIATIVE	23
V. CONCLUSION.....	24

List of Figures and Tables

FIGURE	PAGE
Figure 1: Illinois Investor-Owned Electric Utility Non-Coincident Peak Demand, 1991-2004 (Megawatts)	3

TABLES	PAGE
Table 1: Electric Sales by ARES and Electric Utilities in 2004.....	7
Table 2: Number of Active Retail Electric Suppliers During 2000-2004, by Service Territory.....	8
Table 3: Non-Residential Customer Switching in 2004	12
Table 4: Non-residential Customer Usage Switched to Delivery Services in 2004 (Million kWh).....	13
Table 5: Number of PPO and Retail Electric Supply Customers (December 2004).....	16
Table 6: Usage Switched to Retail Electric Suppliers and PPO Service (December 2004)	17

I. Introduction

Sec. 16-120(b) of the Public Utilities Act requires the Illinois Commerce Commission to submit an annual report to the Joint Committee on Legislative Support Services of the General Assembly and the Governor describing the development of electric competition in Illinois. Sec. 16-120(b) requires the Commission to furnish certain statistical information related to sales by electric utilities, both inside and outside their service territories, and by Alternative Retail Electric Suppliers (“ARES”). The statutorily required information is supplemented with other statistical information to illuminate the extent of competition in Illinois retail electric markets.

The customer choice period that began in October 1999 on a phased-in basis required each electric utility to offer regulated delivery services to their customers to enable them to purchase power and energy from alternative suppliers. Electric utilities are permitted to charge transition charges to customers selecting delivery services, and those electric utilities that chose to charge transition charges are required to offer the market-based “Power Purchase Option” (“PPO”) generation service to non-residential customers. During 2004, only AmerenIP and ComEd charged transition charges, and therefore only those two electric utilities offered PPO service. Approximately 4.4 million residential and 500,000 non-residential customers are now eligible for delivery services.

Prospective electric suppliers must obtain certification from the Commission by meeting the certification standards set forth in the Public Utilities Act and applicable Commission rules.² Any electric utility may sell retail electricity outside of its traditional service areas without filing a certification petition with the Commission.

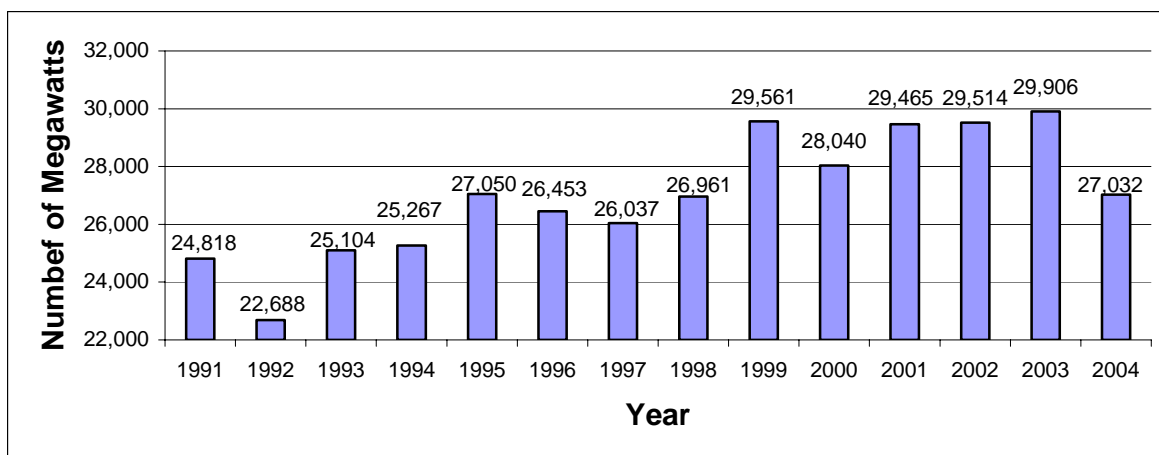
² See Sec. 16-115 and 83 Illinois Administrative Code 451.

II. Peak Demand and Sales by Electric Utilities and ARES

A. Peak Demand Statistics

Sec. 16-120(b) directs the Commission to present information concerning peak demand in the service territories of the investor-owned utilities. Figure 1 shows the level of non-coincident peak demand between 1991 and 2004. Due to unusually cool summer weather, peak demand in Illinois was at the lowest level since 1998.³

Figure 1: Illinois Investor-Owned Electric Utility Non-Coincident Peak Demand, 1991-2004 (Megawatts)⁴



B. Sales by Electric Utilities and Alternative Retail Electric Suppliers

Sec. 16-120(b)(2) requires the Commission to collect and report data concerning the following:

The total annual kilowatt-hours delivered and sold to retail customers in the State of Illinois by each electric utility within its service territory, each electric utility outside its service territory, and alternative retail electric suppliers in the preceding calendar year.

³ The highest temperature at Chicago O'Hare International Airport in 2004 was only 91 degrees Fahrenheit. See historical Chicago weather information at <http://www.crh.noaa.gov/lot/climate/ordmonthly.html>.

⁴ Compiled from data provide by the electric utilities.

Sec. 16-120(b)(3) requires the Commission to express the information collected in response to Sec. 16-120(b)(2) in percentage terms. The information in these two subsections provides an indication of the marketing success alternative suppliers have achieved since the retail market opened in October 1999.

The Commission gathered information concerning sales by the electric utilities and ARES to retail customers during 2004. This information is summarized in Table 1. Total sales by electric utilities include the following: (a) bundled electricity sales; (b) "Contract Sales," which include sales under Sec. 16-106 and Sec. 16-116 of the Act, sales under "special rate contracts" that were entered into prior to the December 1997 enactment of the 1997 restructuring law, sales to delivery services customers under the incumbent utilities' delivery services tariffs and sales under "Interim Supply Service";⁵ (c) PPO sales, including both "unassigned" and "assigned" sales; and (d) retail sales by electric utilities outside their service territories but within Illinois. All sales by ARES are retail power and energy sales.

By the end of 2004, Retail Electric Suppliers (ARES and utilities serving outside their services areas) were serving a significant fraction of the State's total electric consumption. The ARES' share of sales to all retail customers was about 23.5 million mWh, or 18.5% of retail sales. Sales by utilities operating outside their service territories were approximately 3.2 million mWh, or about 2.5% of all retail sales. Thus, sales by RESs equaled about 21% of all retail sales.

There are at least four reasons for the increase in sales by RESs. First, RESs picked up sales from customers that were formerly taking PPO service. Second, RESs gained sales from former special contracts customers after those contracts terminated. Third, ARES appeared to acquire customers that were formerly served by utilities operating outside their service areas. Fourth, RESs apparently successfully marketed to new customers. Overall, sales to retail customers increased about 1% compared to 2003 even though, as noted above, peak demand decreased substantially in 2004.

Table 1: Electric Sales by ARES and Electric Utilities in 2004

<i>Sellers</i>	Electric Utilities					ARES
<i>Sales Category</i>	<i>Bundled</i>	<i>Contract</i>	<i>PPO</i>	<i>Outside Territory</i>	<i>Total Utility</i>	<i>Retail</i>
<i>Sales (Million mWh)</i>	85.8	2.8	11.8	3.2	103.6	23.5
<i>Percent of All Sales</i>	67.5	2.2	9.3	2.5	81.5	18.5

⁵ Interim Supply Service ("ISS") is a tariffed short-term service available to delivery services customers who have no source of electric supply.

III. Retail Activity in 2004

This section of the report examines various indicators of the development of the Illinois retail electric market.

A. Retail Electric Supplier Activity

The list of eligible suppliers is comprised of Alternative Retail Electric Suppliers, which must obtain a certificate from the Commission prior to serving retail customers, and electric utilities serving outside their service areas, collectively called Retail Electric Suppliers.

About 15 RESs are permitted to sell power and energy to retail electric customers in Illinois.⁶ Ten RESs sold power and energy to retail customers in 2004, two fewer than in 2003.

The number of suppliers in each service territory between 2000 and 2004 is shown in Table 2. ComEd continues to have more active marketers than the downstate service areas. However, some suppliers that served customers in the ComEd service area are also beginning to offer service in the Ameren service areas. The smallest service areas have seen only a negligible amount of marketing activity.

Table 2: Number of Active Retail Electric Suppliers During 2000-2004, by Service Territory

Service Area/Year	2000	2001	2002	2003	2004
AmerenCILCO	0	0	0	1	1
AmerenCIPS	3	2	4	5	5
AmerenUE	1	0	0	1	1
AmerenIP	4	3	4	3	3
ComEd	8	7	8	8	8
MidAmerican	1	1	0	0	0
All Others	0	0	0	0	0

⁶ The list of certified Retail Electric Suppliers can be found on the ICC website at <http://www.icc.state.il.us/rl/library.aspx?key=Electricity&key=alt%20retail%20elec%20suppliers>.

B. Delivery Services Statistics

As shown in Tables 3 and 4, thousands of customers and a significant amount of customer load have switched from bundled service to delivery services. Over 61% of all customers with a peak demand exceeding one MW were taking delivery services at the end of 2004. This is an increase from 2003, when 59% of customers in that demand category were taking delivery services. Slightly more than 4% of customers with a peak demand of less than one MW were receiving delivery services in December 2004.

The amount of customer load taking delivery services continued to grow during 2004. As of December 31, 2004, about 48% of non-residential load was receiving delivery services, a considerable increase from last year's percentage of 41%. The growth is primarily due to an increase in switching among customers under one MW.

Customer switching rates continue to be high in the ComEd region relative to other service territories. ComEd is now serving more non-residential load through delivery services than it is serving under its bundled tariffs. As of December 2004, 21,262 ComEd customers were either taking service from a RES or service from ComEd under the PPO.⁷ Customers representing about 52% of ComEd's non-residential load were taking delivery services by the end of the year.

Customer switching activity is also growing, but much more slowly, in the AmerenCIPS and AmerenIP service territories, the only other areas in which customers have switched to delivery services in non-negligible numbers. In the AmerenIP service territory, 1,110 customers were taking delivery services. These customers, however, comprise a significant fraction (about 19.2%) of AmerenIP's total non-residential usage. Like ComEd, AmerenIP is serving more non-residential customer load under delivery services tariffs than it is serving under its bundled tariffs.

About 500 customers have switched to delivery services in the AmerenCIPS service territory, about the same number as in 2003. Each of these customers is taking service from a RES, as AmerenCIPS has suspended its offering of PPO service after the Commission approved AmerenCIPS' 2003 request to suspend its collection of transition charges for at least two years. About 50% of AmerenCIPS' load from customers with a peak demand exceeding one MW is taking service from a RES.

⁷ These totals exclude the 48 Governmental customers and 2,150 "Other" customers that switched to delivery services.

Table 3: Non-Residential Customer Switching in 2004⁸

<i>Utility / Demand Level</i>	Number of Customers Eligible for Delivery Services		Number of Customers Switched to Delivery Services ⁹	
	<i>Less than 1 MW</i>	<i>Greater than 1 MW</i>	<i>Less than 1 MW</i>	<i>Greater than 1 MW</i>
AmerenCILCO	23,409	87	0	*
AmerenCIPS	48,248	142	472	36
AmerenUE	7,635	40	2	1
AmerenIP	66,856	212	1,021	89
ComEd¹⁰	334,512	1,802	19,902	1,360
All Others	5,925	33	0	0
Total	486,585	2,316	21,397 (4.4%)	1,485 (64.1%)¹¹

Table 4: Non-residential Customer Usage Switched to Delivery Services in 2004 (Million kWh)

<i>Utility / Demand Level</i>	Usage Eligible for Delivery Services		Usage Switched to Delivery Services	
	<i>Less than 1 MW</i>	<i>Greater than 1 MW</i>	<i>Less than 1 MW</i>	<i>Greater than 1 MW</i>
AmerenCILCO	1,577	2,568	0	*
AmerenCIPS	2,684	3,185	168	1,583
AmerenUE	680	1,941	2	5
AmerenIP	4,744	8,030	817	5,739
ComEd	28,205	29,256	11,196	18,512
All Others	799	694	0	0
Total	38,689	45,674	12,183 (31.5%)	25,839 (56.6%)

C. Delivery Services Customer Supply Selections

Tables 5 and 6 display the number of customers and the amount of load that have switched to either RES supply or PPO service. Table 5 indicates that more ComEd delivery services customers (11,586) are taking service from RESs than are taking service from ComEd under the PPO (9,528). More than twice as much delivery service load (19,836 Million kWh) is taking service from RES than is being served by ComEd (9,285 Million kWh) under PPO tariffs.

⁸ Includes customers taking ISS.

⁹ An asterisk is used in place of data for AmerenCILCO in Tables 3-6 due to customer confidentiality concerns (see Docket No. 03-0712).

¹⁰ Does not include Governmental or "Other" customers.

¹¹ Percentages do not include AmerenCILCO data.

PPO service is by far the most popular delivery service in the AmerenIP service area. About 93% (979 customers) of AmerenIP's 1,053 delivery services customers were taking the PPO. An additional 74 customers were being served by RESs. However, while a large majority of AmerenIP delivery services customers were being served under PPO tariffs, approximately two-thirds of delivery services usage consisted of customers being served by RESs. Each delivery service customer in the AmerenCIPS service area is taking service from a RES because AmerenCIPS no longer offers PPO service.¹²

The Commission has noted in previous reports the importance for the long-term development of a competitive retail market of customer movement from bundled service and PPO service to service from RESs. The PPO may not be available to non-residential customers (the PPO was never an option for residential customers) under the same terms and conditions as it is presently available. If the PPO ceases to be a meaningful service offering after 2006, the customers who have found the PPO a convenient way to receive a rate discount without having to take a step into the market might discover that they have to move from PPO service to a possibly higher-priced bundled service, unless they are fortunate enough to find a RES who is willing to offer a competitive price. Moreover, there is no guarantee that traditional bundled service will always be available to customers, as provisions in the Act permit utilities to petition the Commission to declare power and energy to be competitive, which could result in electric utilities dropping bundled service for some customers.¹³

Table 5: Number of PPO and Retail Electric Supply Customers (December 2004)

<i>Utility/Demand Level</i>	Number of PPO Customers		Number of RES Customers	
	<i>Less than 1 MW</i>	<i>Greater than 1 MW</i>	<i>Less than 1 MW</i>	<i>Greater than 1 MW</i>
AmerenCILCO	NA ¹⁴	NA	0	*
AmerenCIPS	NA	NA	421	26
AmerenUE	NA	NA	2	1
AmerenIP	926	53	45	29
ComEd	9,011	517	10,768	818
All Others	NA	NA	0	0
Total	9,937	570	11,236	874

¹² See Docket No. 02-0657.

¹³ In its Order in Docket No. 02-0479, the Commission permitted ComEd to designate customers with a demand exceeding 3 MW as a competitive customer class.

¹⁴ "NA" indicates that PPO service is not offered in the service territory.

Table 6: Usage Switched to Retail Electric Suppliers and PPO Service (December 2004)

<i>Utility / Demand Level</i>	Amount of Usage Switched to PPO Service (Million kWh)		Amount of Usage Switched to RES Supply (Million kWh)	
	<i>Less than 1 MW</i>	<i>Greater than 1 MW</i>	<i>Less than 1 MW</i>	<i>Greater than 1 MW</i>
AmerenCILCO	NA	NA	0	*
AmerenCIPS	NA	NA	174	1,445
AmerenUE	NA	NA	2	5
AmerenIP	761	1,320	38	3,872
ComEd	4,045	5,240	7,055	12,781
All Others	NA	NA	0	0
Total	4,806	6,560	7,269	18,102

D. Residential Market Activity in 2004

The Commission has not received any applications for ARES certification to serve the approximately 4.4 million eligible residential customers. Suppliers have cited relatively high transactions costs as one reason why they may not direct their marketing efforts towards residential customers, at least in the near term. In particular, the cost of marketing to small-use, individual customers is high compared to the potential profit margin that a supplier might expect to receive by serving a residential customer. The Commission has attempted to address the problem of supplier transaction costs through its adoption of rule 83 Illinois Administrative Code Part 453 "Internet Enrollment Rules."¹⁵ This rule enables electric suppliers to use their Internet web sites to enroll customers, a procedure commonly used by retail sellers in other industries to minimize transaction costs.

IV. Wholesale Market Activities

A. AmerenIP and ComEd join Regional Transmission Organizations

The Commission has noted in previous reports to the General Assembly that an operating, transparent, regional competitive wholesale market is a prerequisite for the State's retail choice program to provide significant benefits to retail customers. The Commission has also noted that a properly functioning Regional Transmission Organization ("RTO") could facilitate wholesale competition through independent operation of the transmission grid and spot energy markets. Thus, in its 2003 report, the Commission recommended that the Illinois electric utilities be required to join an RTO approved by the Federal Energy Regulatory Commission that operates real-time

¹⁵ See Docket No. 02-0290.

wholesale power markets with certain minimum market design features.¹⁶ The Commission recommended that the RTO should exercise independent overview of interconnection of new generation, calculation of available transmission capability, allocation of transmission rights, congestion management, and the need for transmission upgrades. The Commission noted that independent RTO administration of transmission planning and expansion would help regional wholesale market development, which would expand the pool of wholesale resources that could compete in Illinois over time. An independent RTO is the logical entity for coordinating both transmission system operation and real-time wholesale power market operation.

PJM Interconnection LLC's ("PJM") security-constrained economic dispatch operation, in which PJM chooses the least-cost combination of resources offered by bidders consistent with reliable operation of the transmission grid, is an effective RTO model that provides efficient utilization of transmission and generation resources in the wholesale market. PJM operates price-transparent markets for both day-ahead and real-time energy, as well as for capacity and some ancillary services. PJM now encompasses a dozen states and the District of Columbia. About 1,000 generators operating in PJM serve a peak load of about 110,000 MW.

In 2004, ComEd completed its integration into PJM. The Commission is optimistic that ComEd's membership in PJM could support the development of retail choice in the ComEd service area. Some of the aspects of PJM's operations that are favorable to retail choice programs are:

1. Transparent and liquid spot markets that enable RESs to buy and sell spot energy when needed to support their transactions rather than being charged imbalance penalties
2. An effective local market power mitigation authority
3. Daily and monthly capacity credits markets that are transparent and independently administered
4. Financial transmission rights ("FTRs") allocations to hedge against congestion costs
5. FTRs and Auction Revenue Rights that follow loads that switch in the middle of the allocation year
6. Nodal settlement opportunities
7. Demand response programs that allow load reductions to compete on the same footing with other capacity and energy resources

The Midwest Independent Transmission System Operator ("MISO"), the RTO for fifteen states and the Canadian province of Manitoba, is scheduled to begin operation of

¹⁶ "Assessment of Competition in the Illinois Electric Industry: Findings and Recommendations," January 2003, available at <http://www.icc.state.il.us/ec/library.aspx?key=GA%20Report>.

its day-ahead and real-time energy markets on April 1st, 2005. In 2004, AmerenIP joined the other Ameren companies in transferring operational control over their transmission facilities to MISO. Like PJM, MISO intends to use security-constrained economic dispatch of generation resources to manage congestion and balance generation and load.

Items 1, 4, 5 and 6 from the above list are features of the MISO's operational plans. As MISO and PJM develop a common market platform across the two RTO areas, the market elements of the RTOs will continue to converge. Such convergence will provide further benefits for retail customers in Illinois.

B. Post-2006 Initiative

The Commission convened a series of meetings and workshops to examine the future of the electric market in Illinois, particularly with respect to questions concerning the procurement of supply to serve customers after 2006, when the State's largest electric utilities must procure from the wholesale market the power that will be needed to serve those customers who do not choose alternative suppliers. The format of the Post-2006 Initiative was the creation of working groups (Procurement, Rates, Competitive issues, Utility Service Obligations, and Energy Assistance), each chaired by a different convener, which were asked to discuss and attempt to achieve consensus on as many substantive issues as possible. The results of the workshops are summarized in the Commission's report "Final Report of the Illinois Commerce Commission's Post-2006 Initiative." The report was provided to Governor Blagojevich and the General Assembly on December 2, 2004. The report is available on the Commission website at <http://www.icc.state.il.us/ec/ecPost.aspx>.

V. Conclusion

A significant number of non-residential customers are taking advantage of the opportunities presented by customer choice to switch to unbundled generation services. At the end of 2004, almost 23,000 non-residential customers, comprising about 48% of the State's non-residential load, was taking delivery services. It is evident that a foundation is now in place for retail competition, at least in the service areas of the State's largest electric utilities.

There is also reason to expect that the end of the transition period on January 1, 2007 will provide a further boost to retail competition. On that date, the existing bundled retail rate freeze will expire, and bundled rates will likely begin to reflect wholesale prices. Retail Electric Suppliers may find it easier to compete against current market prices rather than frozen bundled rates. Also, after the transition period, utilities will likely no longer be permitted to charge transition charges, which will provide additional savings opportunities for customers.

While it appears likely that retail choice will be a permanent feature of the Illinois electric industry, it should be noted that there are a number of problems restricting the continued development of retail competition. First, alternative suppliers have shown little or no interest in serving the State's smaller service areas and apparently have no interest in serving residential customers. Second, PPO service is still a popular service offering in the service territories of ComEd and AmerenIP, the only two utilities that still offer PPO service. From a long-run perspective, customer reliance on the PPO as a strategy to save money is potentially of concern because the PPO will likely only be available in its present form through the end of 2006. Third, continued growth may depend on new suppliers entering and actively marketing in the Illinois electric market.